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SETTLEMENT TESTIMONY

OF

P. RODNEY BLEVINS

ON BEHALF OF

DOMINION ENERGY SOUTH CAROLINA, INC.

DOCKET NO. 2020-125-E

Q. PLEASE STATE YOUR NAME AND POSITION WITH DOMINION ENERGY SOUTH CAROLINA, INC.

A. My name is Rodney Blevins, and I serve as President of Dominion Energy South Carolina, Inc. ("DESC" or the "Company").[1]

Q. ARE YOU THE SAME P. RODNEY BLEVINS WHO PREVIOUSLY SUBMITTED DIRECT TESTIMONY AND REBUTTAL IN THIS PROCEEDING?

A. I am.

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?

A. The purpose of my settlement testimony is to provide the Commission with an overview of the settlement reached by ORS, all intervenors (apart from CMC Steel, which does not oppose the settlement) and the Company.

[1] In April 2019, SCE&G changed its name to Dominion Energy South Carolina, Inc. as a result of the acquisition of SCANA Corporation by Dominion Energy, Inc. For consistency, I use "DESC" to refer to the Company both before and after this name change.

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Q. DO YOU HAVE ANY INITIAL COMMENTS TO MAKE CONCERNING THE SETTLEMENT PROCESS?

A. Yes. I want to begin by thanking the Commission for pausing this proceeding and giving us the opportunity to negotiate this settlement. The Commission's assistance was critical to this process. The Commission's staff should be recognized as well for its diligence and professionalism throughout this process.

I also want to thank the ORS for suggesting that we take this approach. In addition, the Company is grateful to the ORS, the South Carolina Department of Consumer Affairs, the South Carolina Energy Users, Mr. Frank Knapp; the Sierra Club, AARP, the South Carolina Coastal Conservation League, the Southern Alliance for Clean Energy, Walmart, Inc., the United States Department of Defense and other Federal Agencies and CMC Steel for the spirit of cooperation, patience and compromise that they brought to these negotiations.

Reaching consensus on a settlement of this case was a remarkable achievement and confirms that parties with varied interests can still achieve agreement on matters that are important to utility regulation in this State. It could not have been done without the leadership of the ORS and its Executive Director and staff.

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Q. WHAT DOES THE SETTLEMENT DO?

A. If the settlement is approved, the parties will agree to an overall annual revenue increase of $61.6 million which would result in a rate increase to customers of 2.86%. This is a 63% reduction from the Company's original 7.75% rate request net of DSM adjustments.

To mitigate the rate increase to customers, DESC will agree to flow back to customers on an accelerated basis Excess Deferred Income Taxes ("EDIT") associated with Unprotected Property. This EDIT will total approximately $99.5 million as of September 1, 2021 (grossed up for taxes). It will be flowed back through a decrement rider in an amount calculated to reduce the overall annual impact to $35.6 million. The decrement rider will end when the balance of Unprotected Property EDIT is exhausted, which is currently expected to occur in 2025.

Considering the effects of this EDIT rider and DSM adjustments, the net overall retail electric customer increase under the settlement will be only 1.42%. The agreed rates would go into effect for bills rendered on or after September 1, 2021. The Company will agree absent extraordinary circumstances not to file another retail electric rate proceeding before July 1, 2023 if the settlement is approved.

Q. DOES THE SETTLEMENT INCLUDE BENEFITS THAT GO BEYOND THE SCOPE OF THE APPLICATION IN THIS PROCEEDING?

A. Yes. One of the benefits of the settlement process is that it allowed DESC and Dominion Energy, Inc. to offer benefits that go beyond the issues raised by the application in this proceeding and the ratemaking process itself. Specifically, if the settlement is approved, Dominion Energy, Inc., will commit up to $30 million of shareholder money for programs benefitting economically distressed or vulnerable DESC customers. Up to $15 million of these funds will be used to forgive past due balances of more than 60 days as they existed on May 31, 2021. All customer classes are eligible to participate. Another $15 million will fund energy efficiency upgrades and critical health and safety repairs to customers' homes to allow those homes to participate in other energy efficiency and DSM programs offered by the Company. The expenditure of these funds is anticipated to be administered by the South Carolina Office of Economic Opportunity, which also administers Federal weatherization programs, and will be subject to a stakeholder review process.

In addition, DESC will double its annual commitment to the Energy Share program in 2021 and 2022 to $1.5 million. This program provides funds that are accessed through local community action agencies to assist economically distressed or vulnerable customers. The Energy Share program is funded by voluntary contributions by the Company and its employees as well as customers. The incremental funding will be provided using shareholder funds. For the first time, small general service customers (specifically small commercial businesses) will be able to participate in the Energy Share program and $500,000 is earmarked for them.

If the settlement is approved, DESC has also committed to initiate a stakeholder process to examine an electricity affordability program for DESC's low-income customers and address the need for legislation to implement such a program. This program will explore an affordable payment program that provides a discount to eligible customers on their monthly bills, caps their monthly bills based on income, or an arrearage crediting or arrearage management program. The Parties to this proceeding will all be invited to become members of the stakeholder group. DESC will also provide all information from stakeholder meetings in a docket opened by the Commission.

Q. ARE THERE ADVANTAGES TO USING NON-REGULATED FUNDS FOR THIS PURPOSE IN THE CONTEXT OF A COMPREHENSIVE SETTLEMENT?

A. These non-regulated, shareholder funds can be more easily targeted toward specific groups of customers through transfers to non-utility agencies

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that have specific skills in providing assistance to economically challenged and vulnerable customers. There would be a different set of considerations if these transfers were treated as above-the-line utility expenses, such that revenues from one group of customers were supporting grants to others. This is another reason why there are advantages to settlements. They can more easily accommodate voluntary contributions that go beyond standard ratemaking and allow greater flexibility in their administration.

Q. WHAT IS THE BASIS FOR THE COMMITMENT TO FUND CRITICAL HEALTH AND SAFETY REPAIRS TO CUSTOMERS' HOMES?

A. This was a very insightful suggestion made by intervenors which the Company endorses. The Company has embarked on a dramatic expansion of the energy efficiency programs it is offering to low and moderate income customers. The Commission is aware of that from recent demand side management ("DSM") and integrated resource plan ("IRP") dockets.

One limiting factor for these low and moderate income programs is that some low-income housing stock has critical health and safety deficiencies, things like missing windows, rotten floors, and holes in exterior walls or roofs. These deficiencies make it unsafe or ineffective to install standard efficiency measures unless the deficiencies are repaired. The required repairs are a matter for the construction trades and are beyond the

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scope of the services that DESC or its DSM programs contractors can reasonably provide. The cost of these repairs often exceeds the amount that can be justified as cost effective for recovery through standard DSM mechanisms.

But the need is real. We hope to make a significant contribution toward addressing it through shareholder funds, voluntarily offered as part of this settlement, to be administered by the South Carolina Office of Economic Opportunity using its procurement system and contractors. This would be difficult if not impossible under existing DSM standards and practices, but can be addressed through voluntary contributions made under the terms of a settlement.

Q. WHAT REDUCTIONS IN THE RATE REQUEST ARE INHERENT IN THE SETTLEMENT?

A. If the settlement is approved, DESC will agree to accept rates based on an ROE of 9.5% computed based on a capital structure of 48.38% debt and 51.62% equity. The Company will also accept, for the purposes of this settlement, the revenue and expense adjustments proposed by ORS, with certain exceptions enumerated in the settlement document. Among other things, those adjustments extend the amortization of certain previously deferred amounts, eliminate earnings-based incentive compensation, reduce the embedded cost of debt by eliminating certain swap losses and tender premiums associated with bond financings, eliminate the proposal to pre-fund the storm damage reserve with new revenue accruals, reduce depreciation expense through the adoption of ORS's Depreciation Study, reduce turbine maintenance accruals, and otherwise adjust the expenses of deferral account balances to be recovered by the Company.

Eliminating the swap losses and tender premiums mentioned above will result in the Company taking a charge equal to those amounts to be funded by shareholders and not collected from customers. The Company has agreed to rates calculated based on these adjustments in support of settlement in this matter but with the clear understanding that these adjustments will not set precedents for future proceedings.

Q. WHAT IS THE IMPORTANCE OF THE NON-PRECEDENTIAL NATURE OF THE ADJUSTMENTS?

A. Because the adjustments do not set precedent for future cases, parties can agree to accept the settlement outcome as a package, without accepting the specific adjustments on which the rate was calculated and without concern that they will be locking in similar adjustments in future cases. This kind of practical flexibility allows the resolution of rate filings based on pragmatic considerations in ways that are not necessarily possible outside of a settlement. The fact that compromises concerning adjustments do not set

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precedents for future cases is a large part of what makes this sort of settlement possible.

Q. DOES THE SETTLEMENT INCLUDE OTHER PROVISIONS?

A. Yes. For example, there are a number of other specific provisions in the settlement related to cost benefit analyses for future grid improvement plans; stakeholder processes and reporting concerning capital projects at coal plants; lead lag studies for future rate proceedings; changes to specific rates to accommodate large commercial customers; and reductions in basic facilities charge increases for residential customers. These provisions are set forth in the settlement document itself.

Q. IS THE SETTLEMENT OPEN TO REVISION AT THIS STAGE?

A. The settlement was negotiated as a package and includes multiple trade-offs and inter-related provisions that together create a balanced resolution to this case. None of the settlement terms operate independently of the others. By the terms of the settlement itself, any changes would allow the parties to withdraw their consent.

Q. BEYOND THE BENEFITS IN THIS PROCEEDING, HOW DO YOU SEE THIS SETTLEMENT BENEFITING THE REGULATORY PROCESS GOING FORWARD?

A. As the Commission is aware, the order approving Dominion Energy, Inc.'s acquisition of DESC specifically envisioned a rate proceeding being

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filed in 2020 with rates to be effective in 2021. The prior company's focus was on its nuclear construction program and it had not filed a general rate case since 2012. So in a very direct way, this rate case is among the last pieces of unfinished regulatory business arising out of the events that resulted in Dominion Energy, Inc. acquiring DESC.

The fact that this case may now be resolved by agreement of all the parties is a remarkably positive development for the State of South Carolina. To be sure, DESC is foregoing a material portion of the revenue requirement as well as other terms it sought in its original filing—the first such filing, as has been mentioned, in almost a decade. Dominion Energy's late Chairman and CEO testified in the merger docket that as a 200-year-old company, Dominion Energy takes the long view. That remains true here. DESC and Dominion Energy, Inc. are willingly supporting an outcome (via the settlement) that provides expanded customer benefits at shareholder expense knowing that doing so allows us to turn the page and start a new chapter in the history of this Company in South Carolina on a constructive, collaborative and positive footing.

For making that outcome possible, we are grateful to ORS, the South Carolina Department of Consumer Affairs, the South Carolina Energy Users, Frank Knapp the Sierra Club, AARP, the South Carolina Coastal Conservation League, the Southern Alliance for Clean Energy, Walmart, Inc., the United States Department of Defense and other Federal Agencies and CMC Steel. We specifically thank the leadership, lawyers, experts and support staff of each of these organizations. And most particularly, we thank ORS and its Executive Director, Nannette Edwards, for leading in this process.

Q. WHY IS GOING FORWARD ON A MORE POSITIVE AND COLLABORATIVE APPROACH IMPORTANT?

A. The challenges facing the electric utility industry are simply too great for utilities, regulators and policy makers to remain divided over what happened in the past. The electric industry is in transition. Society demands significant progress in reducing carbon emissions. For its part, in February of 2020 Dominion Energy announced a corporate-wide goal of achieving net zero carbon and methane emissions by 2050.

To that end, studies are underway to determine a plan for ending the Company's reliance on coal as a fuel. The plan to allow DESC to meet customers' needs reliably without coal has yet to be determined. But some or all of the capacity that the Company's coal units represent will need to be replaced with renewable and lower carbon resources that alone or in combination allow grid reliability to be maintained.

Reducing carbon emissions in the US economy will place other demands on the electric system as industrial production, personal vehicles,

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and other forms of transportation increasingly rely on electricity as an energy source. These demands will add to the continuing challenge of meeting customers' needs in the rapidly growing coastal and urban areas that we serve.

How to time, sequence, and structure the acquisition of renewable technologies, and successfully integrate intermittent and energy-limited technologies into the grid is another challenge that is part of this transition. Protecting reliability in response to these demands will require careful planning and significant capital investment.

What happened during the past decade surrounding the nuclear project created a period of mistrust surrounding electric utilities in South Carolina. That is understandable. But considering the challenges we face today, such emotions will not serve us well going forward. DESC intends to provide a robust response to the challenge of climate change while continuing to maintain the reliable and affordable electric service upon which our customers depend. Balancing these goals is a challenge DESC is confident it can meet. We have a successful track record of reliable and cost-effective utility operations as our earlier testimony in this proceeding shows. But to carry us successfully through the transition that is underway now will require cooperation on the part of all of us who play a role in regulatory and utility matters in this State. It will require robust stakeholder processes as the

Commission clearly desires and as the Company is committed to implement. And ultimately, when all the processes have been completed, utilities must be able to reasonably assume that they will be allowed through regulation to recoup the cost of prudent and necessary investments made to ensure reliable service to customers.

Q: WHAT DO YOU HAVE TO SAY IN CONCLUSION?

A. The settlement is an important step in a new chapter in the history of the electric industry in South Carolina. I respectfully request the Commission recognize what a positive development that the settlement represents, which is before you without objection, and approve it as presented.

Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?

A. Yes, it does.

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